

# FINANCIALink

Your Money Management Newsletter

## TARANTO FINANCIAL SERVICES & CPAs

1263 Route 31 • Lebanon, NJ 08833  
 (908) 730-7211 • Fax (908) 735-5524  
 Email: gtaranto@americanportfolios.com  
 www.TarantoAssociates.com



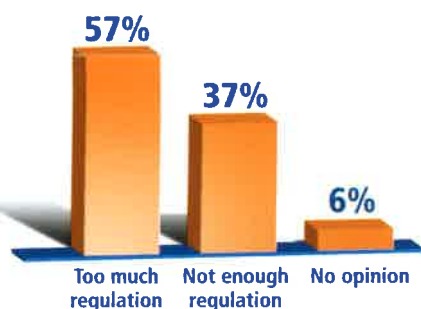
Gregory Taranto, CPA

## SnapSHOTS



### TOO MUCH OR NOT ENOUGH?

When it comes to the government's role in the economy, more Americans polled were worried that there will be too much regulation of business than not enough regulation.



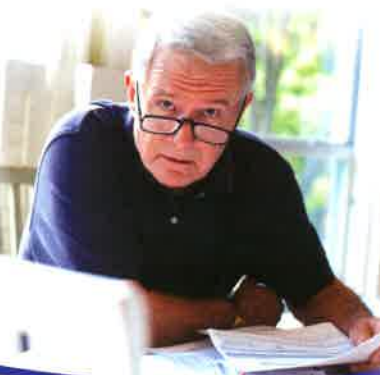
Source: Gallup, 2010

## Up FRONT

# \$162,674

The median 401(k) balance for those in their fifties who make between \$80,000 and \$100,000 a year

Source: Employee Benefit Research Institute, 2009



## Quick HITS

**According to** a recent survey, 82% of couples between the ages of 45 and 72 say they don't agree on when they should retire, whether they will work in retirement, or what their retirement lifestyle should be like.<sup>1</sup>

**Americans redeemed** 3.3 billion coupons in 2009 for an average savings of \$1.44 per coupon.<sup>2</sup>

**Over the past** 25 years, international stock mutual fund assets have doubled to make up 10% of the \$11 trillion invested in mutual funds.<sup>3</sup>

**Forty-six percent** of credit-card holders say they've used their cards "somewhat or far less often" than they did prior to the economic downturn.<sup>4</sup>

**Annual inflation** (as measured by the Consumer Price Index) has averaged 3.51% over the past 30 years.<sup>5</sup>

Sources:

- 1) AARP, 2009
- 2) *The Wall Street Journal*, February 9, 2010
- 3) *The Wall Street Journal*, January 10, 2010
- 4) *Journal of Financial Planning*, February 2010
- 5) Thomson Reuters, 2010 (CPI for the period 12/31/1979 to 12/31/2009)

Securities Offered Through:

American Portfolio Financial Services, Inc., 1263 Route 31, Lebanon, NJ 08833, Member FINRA/SIPC.

Practical insights for your **FINANCIAL GOALS**

# Financial **FAMILY FEUD**

**A**ccording to a recent survey, 82% of couples between the ages of 45 and 72 don't agree on when they should retire, whether they will work in retirement, or what their retirement lifestyle should be like.<sup>1</sup>

Disagreements among married couples aren't exactly breaking news, but this survey does illuminate several attitudes and beliefs held by an alarming number of married couples. If these types of conflicts sound familiar, you could be complicating the already challenging task of saving enough money for a comfortable retirement.

## **MR. & MS. COMMUNICATION**

Less than 40% of the couples surveyed said they make decisions together about investments they will use to fund their retirements.<sup>2</sup> Unsurprisingly, 39% of the couples disagreed on whether they owned annuities and 25% disagreed on whether they owned an IRA.<sup>3</sup>

Couples who don't communicate about their financial resources may not have an accurate picture of their overall financial situations, which can limit their ability to make informed decisions about their portfolios. The fallout can range from missed opportunities to an inappropriate asset allocation.

## **LIFESTYLES OF THE RETIRED AND CONTENTIOUS?**

Forty-two percent of couples didn't agree on the kind of retirement lifestyle they wish to enjoy.<sup>4</sup> He might want to move near a golf course and perfect his back swing, whereas she might want to travel. A disagreement over what kind of retirement lifestyle you want could cause you to save too little. How will you know how much money you need if you can't agree on how it will be spent?

## **CARRYING ON**

Only 15% of the couples polled were confident that either spouse could manage the family's finances if the other died.<sup>5</sup> This may be more of a problem for women, who generally can expect to live five years longer than men.<sup>6</sup> Making sure both spouses are informed could help prevent needless complications later.

## **AGE CONFUSION**

Sixty percent of couples could not agree on either the husband's or the wife's expected retirement age.<sup>7</sup> The timing of retirement involves several important factors, all of which should be carefully considered before setting a date. For example, the age at which you begin to take Social Security benefits affects the amount of benefits you will receive. Decisions about when to tap tax-deferred retirement accounts may also hinge on each spouse's age because there are penalties for both early and late withdrawals.

Disagreements about important marital issues can be healthy when used to promote debate and consensus. But leaving retirement issues unresolved may lead to confusion and missed opportunities.

1-5, 7) AARP, 2009

6) *National Vital Statistics Report*, Vol. 57, No. 14, National Center for Health Statistics, April 17, 2009 (life expectancy data for 2006)

## **He Saved, She Saved**

The financial crisis has affected spouses differently, according to a 2009 survey of couples.

	<b>Wives</b>	<b>Husbands</b>
<b>Consider themselves "savers" rather than "spenders"</b>	<b>61%</b>	<b>51%</b>
<b>Are less risk-tolerant now</b>	<b>54%</b>	<b>41%</b>

Source: AARP, 2009



# Going GLOBAL

In response to problems in the credit markets in 2008, central and private banks around the globe joined together to search for solutions. It was another example of how interconnected the world's markets and economies have become. The lesson is that globalization may be creating new investment opportunities that you could miss if your portfolio is stuck in the states.

One way to expand your portfolio's geographic boundaries is through international mutual funds. Over the past quarter-century, the profile of international mutual funds has risen dramatically. In fact, during this period, international stock mutual fund assets doubled to make up 10% of the \$11 trillion invested in mutual funds.<sup>1</sup>

International funds enable investors to diversify not only across industry sectors but national borders as well. Despite this benefit, international mutual funds come with additional risks that should be considered carefully.

## LOST IN CONVERSION?

The dollar has a record of stability, but its recent weakness is a reminder that dollar-denominated investments are not immune to outside influence. Investing abroad offers the opportunity to diversify away from the dollar, although currency fluctuations also pose unique challenges. For example, fluctuations in exchange rates can increase purchasing power but can also dilute the value of investment gains.

## POLITICALLY CORRECT?

Developing nations may have the potential for some astounding growth, but they also come with serious risks. Political problems and regional instability can affect business climates. Civil unrest, elections, terrorist attacks — even rumors of such events — can affect investment values.

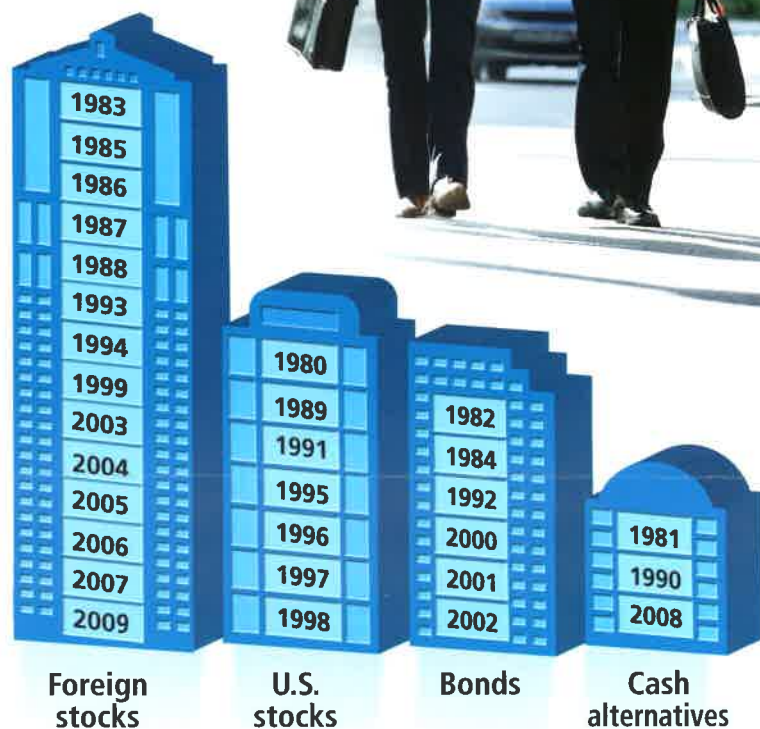
The return and principal value of mutual funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

*Mutual funds are sold only by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*

1) *The Wall Street Journal*, January 10, 2010

## Opportunities Overseas

The top-performing asset class in each of the past 30 years



Source: Thomson Reuters, 2010. Foreign stocks are represented by the Morgan Stanley MSCI EAFE Index (Europe, Australasia, and Far East). U.S. stocks are represented by the S&P 500 Composite Index (total return). Bonds are represented by the Citigroup Corporate Bond Composite Index. Cash alternatives are represented by the T-Bill 3-Month Yield Index. These indexes are considered representative of the asset classes shown. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results.

# Inflation Gets **PERSONAL**

**Inflation is defined as the long-term, sustained rise in the general price level of goods and services. The most popular measure of inflation is the Consumer Price Index.**

The CPI, calculated monthly by the Bureau of Labor Statistics, tracks prices for a basket of commonly used goods and services (such as food, clothing, housing, and medical care) to measure inflation at the consumer level. In 2009 the inflation rate was 2.72%, but over the past 30 years inflation has averaged 3.51% annually.<sup>1</sup>

The CPI attempts to measure the rate of inflation experienced by the average American, but this figure may not be entirely applicable to your situation. For example, depending on your lifestyle and where you

live, your costs for housing, food, and medical care may vary significantly from the national averages.

Because the CPI may have only limited usefulness when trying to measure how inflation affects your personal finances, the accompanying worksheet can help estimate your *personal inflation rate*. This information may help you better understand how inflation could affect your financial future, especially retirement.

1) Thomson Reuters, 2010 (CPI for the periods 12/31/2008 to 12/31/2009 and 12/31/1979 to 12/31/2009)



## The CPI and You

To calculate your personal inflation rate, estimate the percentage of your adjusted gross income that you spend in each of the categories listed. Multiply the estimates by the CPI inflation rate for each category. Then add the figures together.

	CPI inflation rate		Percent of spending		Your inflation rate
Food and beverages	0.034	x	_____	=	_____ %
Housing	0.036	x	_____	=	_____ %
Clothing	0.011	x	_____	=	_____ %
Transportation	0.033	x	_____	=	_____ %
Medical care	0.06	x	_____	=	_____ %
Entertainment	0.013	x	_____	=	_____ %
Other	0.057	x	_____	=	_____ %
TOTAL			100%	=	_____ %

Sources: Bureau of Labor Statistics, 2010; Haver Analytics, 2010. Inflation rates are for the 30-year period ending in December 2009, except for Entertainment (for which inflation rates represent the 16-year period ending in December 2009).

The information in this newsletter is not intended as tax or legal advice, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek tax or legal advice from an independent professional advisor. The content is derived from sources believed to be accurate. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. This material was written and prepared by Emerald. Copyright 2010 Emerald.

*Are you on track to reach your retirement savings goals? Call today to review your progress and discuss additional ways you can pursue your financial objectives.*

*Working toward a better financial future,*

A stylized, handwritten signature in black ink, appearing to be a combination of the letters 'A' and 'E'.